



Date: February 11, 2026

To,
The Manager
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (East),
Mumbai - 400 051
NSE Symbol: DIFFNKG

To,
The Manager
Corporate Relationship Department
BSE Limited
Floor 25, Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001
BSE Scrip Code - 544264

Dear Sir/Madam,

Subject: Report of Monitoring Agency for the quarter ended December 31, 2025.

Pursuant to Regulation 32(6) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Regulation 41(4) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, please find enclosed herewith Monitoring Agency Report issued in respect of the utilization of the proceeds of the Initial Public Offer ("IPO") of the Company for the quarter ended December 31, 2025 by CRISIL Ratings Limited, the Monitoring Agency.

This report will also be hosted on the Company's website viz.
<https://www.diffusionengineers.com/investors-relation>

We request you to take the above on record.

Thanking You.
Yours faithfully,

For Diffusion Engineers Limited

Chanchal Jaiswal
Company Secretary and Compliance Officer
ICSI Membership no. A67136

Enclosed as above



DIFFUSION ENGINEERS LIMITED

Regd. Office : T-5 & 6, M.I.D.C., Hingna Industrial Area, **Nagpur** - 440 016, Maharashtra, INDIA

[t] 091-7104-232890, 234727, 236772, CIN : L99999MH2000PLC124154

[e] info@diffusionengineers.com, [w] www.diffusionengineers.com **GSTIN : 27AAACD8008L1ZK**

Branches At : Ahmedabad • Chennai • Chittorgarh • Faridabad • Jamshedpur • Kolkata • Pune • Raipur • Secunderabad

Monitoring Agency Report
for
Diffusion Engineers Limited
for the quarter ended
December 31, 2025

CRL/MAR/GDS4651/2025-26/1658

February 09, 2026

To

Diffusion Engineers Limited

T-5 and T-6, Nagpur Industrial Area,
MIDC, Hingna, Nagpur,
Maharashtra, 440016

Dear Sir/Madam,

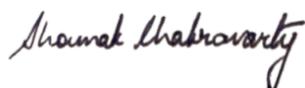
Monitoring Agency Report for the quarter ended December 31, 2025- in relation to the Initial Public Offer ("IPO") of Diffusion Engineers Limited ("the Company")

Pursuant to Regulation 41(2) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("**SEBI ICDR Regulations**") and Monitoring Agency Agreement dated September 16, 2024, enclosed herewith the Monitoring Agency Report, issued by Crisil Ratings Limited, Monitoring Agency, as per Schedule XI of the SEBI ICDR Regulations towards utilization of proceeds of IPO for the quarter ended December 31, 2025.

Request you to kindly take the same on records.

Thanking you,

For and on behalf of Crisil Ratings Limited



Shounak Chakravarty
Director, Ratings (LCG)

Report of the Monitoring Agency (MA)

Name of the issuer: Diffusion Engineers Limited

For quarter ended: December 31, 2025

Name of the Monitoring Agency: Crisil Ratings Limited

(a) Deviation from the objects: Not applicable

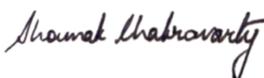
(b) Range of Deviation: Not applicable

Declaration:

We declare that this report provides an objective view of the utilization of the issue proceeds in relation to the objects of the issue based on the information provided by the Issuer and information obtained from sources believed by it to be accurate and reliable. The MA does not perform an audit and undertakes no independent verification of any information/ certifications/ statements it receives. This Report is not intended to create any legally binding obligations on the MA which accepts no responsibility, whatsoever, for loss or damage from the use of the said information. The views and opinions expressed herein do not constitute the opinion of MA to deal in any security of the Issuer in any manner whatsoever. Nothing mentioned in this report is intended to or should be construed as creating a fiduciary relationship between the MA and any issuer or between the agency and any user of this report. The MA and its affiliates also do not act as an expert as defined under Section 2(38) of the Companies Act, 2013.

The MA or its affiliates may have credit rating or other commercial transactions with the entity to which the report pertains and may receive separate compensation for its ratings and certain credit-related analyses. We confirm that we do not perceive any conflict of interest in such relationship/interest while monitoring and reporting the utilization of the issue proceeds by the issuer.

We have submitted the report herewith in line with the format prescribed by SEBI, capturing our comments, where applicable. There are certain sections of the report under the title "Comments of the Board of Directors", that shall be captured by the Issuer's Management / Audit Committee of the Board of Directors subsequent to the MA submitting their report to the issuer and before dissemination of the report through stock exchanges. These sections have not been reviewed by the MA, and the MA takes no responsibility for such comments of the issuer's Management/Board.

Signature: 

Name and designation of the Authorized Signatory: Shounak Chakravarty

Designation of Authorized person/Signing Authority: Director, Ratings (LCG)

1) Issuer Details:

| | |
|---|--|
| Name of the issuer: | Diffusion Engineers Limited |
| Names of the promoter: | Mr. Prashant Garg, Ms. Chitra Garg, Mr. Nitin Garg |
| Industry/sector to which it belongs: | Other Industrial Products |

2) Issue Details

| | |
|---------------------------------------|---|
| Issue Period: | Thursday, September 26, 2024, to Monday, September 30, 2024 |
| Type of issue (public/rights): | Initial Public Offer (IPO) |
| Type of specified securities: | Equity Shares |
| IPO Grading, if any: | NA |
| Issue size: | Rs 1579.64 million |

| Particulars of the Issue Size | Amount (Rs. million) |
|-----------------------------------|----------------------|
| Gross proceeds of the Fresh Issue | 1579.64 [#] |
| Less: Issue Expenses | 157.69 |
| Net Proceeds | 1,421.95 |

[#]Crisil Ratings shall be monitoring the gross proceeds amount.

3) Details of the arrangement made to ensure the monitoring of issue proceeds:

| Particulars | Reply | Source of information/certifications considered by Monitoring Agency for preparation of report | Comments of the Monitoring Agency | Comments of the Board of Directors |
|--|-------|--|---|------------------------------------|
| Whether all utilization is as per the disclosures in the Offer Document? | Yes | Management undertaking, statutory auditors certificate [^] , Prospectus dated 30/09/2024 ("hereinafter referred as "Offer document"), Bank Statements | Proceeds were utilized towards Funding capital expenditure, general corporate purposes and issue expenses | No Comments |

| Particulars | Reply | Source of information/certifications considered by Monitoring Agency for preparation of report | Comments of the Monitoring Agency | Comments of the Board of Directors |
|--|-------|--|-----------------------------------|------------------------------------|
| Whether shareholder approval has been obtained in case of material deviations from expenditures disclosed in the Offer Document? | NA | Management undertaking, statutory auditors certificate [^] | No Comments | No Comments |
| Whether the means of finance for the disclosed objects of the issue has changed? | No | | No Comments | No Comments |
| Is there any major deviation observed over the earlier monitoring agency reports? | No | | No Comments | No Comments |
| Whether all Government/statutory approvals related to the object(s) have been obtained? | NA | | No Comments | No Comments |
| Whether all arrangements pertaining to technical assistance/collaboration are in operation? | NA | | No Comments | No Comments |
| Are there any favorable events improving the viability of these object(s)? | No | | No Comments | No Comments |
| Are there any unfavorable events affecting the viability of the object(s)? | No | | No Comments | No Comments |
| Is there any other relevant information that may materially affect the decision making of the investors? | No | | No Comments | No Comments |

NA represents Not Applicable

[^]Certificate dated February 04, 2026, issued by M/S PGS & ASSOCIATES, Chartered Accountants (Firm Registration Number: 122384W), Statutory Auditors of the Company.

4) Details of object(s) to be monitored:

i. Cost of the object(s):

| Sr. No. | Item Head | Source of information/certification considered by MA for preparation of report | Original cost (as per the Offer Document) (Rs in million) | Revised Cost (Rs in million) | Comment of the Monitoring Agency | Comments of the Board of Directors | | |
|---------|---|--|---|------------------------------|----------------------------------|------------------------------------|---------------------------|---------------------------------------|
| | | | | | | Reason of Cost revision | Proposed financing option | Particulars of firm arrangements made |
| 1 | Funding capital expenditure requirements towards Proposed Expansion of the existing manufacturing facility at Unit IV | Management undertaking, Statutory Auditors Certificate [^] , offer document | 713.80 | NA | No revision | No Comments | | |
| 2 | Setting up of a new manufacturing facility at Hingna, Sonegaon District, Nagpur, Maharashtra ("Proposed Facility") | | 303.85 | NA | No revision | No Comments | | |
| 3 | Funding working capital requirements of the Company | | 220.00 | NA | No revision | No Comments | | |
| 4 | General Corporate Purposes [#] | | 184.30 | NA | No revision | No Comments | | |
| | Subtotal | | 1,421.95 | - | - | - | | |
| 5 | Expenses in relation to the Fresh Issue | | 157.69 | NA | No revision | No Comments | | |
| | Total | 1,579.64 | - | - | - | | | |

[^]Certificate dated February 04, 2026, issued by M/s PGS & ASSOCIATES chartered Accountants (Firm Registration Number: 122384W), Statutory Auditors of the Company.

[#]The amount utilised for general corporate purposes does not exceed 25% of the Gross Proceeds (amounting to Rs 394.91 million) from the Fresh Issue

ii. Progress in the object(s):

| Sr. No. | Item Head# | Source of information/certifications considered by Monitoring Agency for preparation of report | Amount as proposed in the Offer Document (Rs in million) | Amount utilized (Rs in million) | | | Total unutilized amount (Rs in million) | Comments of the Monitoring Agency | Comments of the Board of Directors | |
|-----------------|---|--|--|---------------------------------|--------------------|---------------------------|---|--|------------------------------------|---------------------------|
| | | | | As at beginning of the quarter | During the quarter | At the end of the quarter | | | Reasons for idle funds | Proposed course of action |
| 1 | Funding capital expenditure requirements towards Proposed Expansion of the existing manufacturing facility at Unit IV | Management Undertaking, Statutory Auditors Certificate^, Offer document | 713.80 | 98.84 | 106.56 | 205.40 | 508.40 | Proceeds utilized towards Building construction and Civil work & Purchase of Machinery (Refer Note 1& 2) | No Comments | |
| 2 | Setting up of a new manufacturing facility at Hingna, Sonegaon District, Nagpur, Maharashtra ("Proposed Facility") | | 303.85 | 137.68 | 1.26 | 138.94 | 164.91 | | No Comments | |
| 3 | Funding working capital requirements of the Company | | 220.00 | 220.00 | Nil | 220.00 | Nil | Proceeds fully utilized till quarter ended Dec 31, 2024 | No Comments | |
| 4 | General Corporate Purposes | | 184.30 | 5.95 | 2.29 | 8.24 | 176.06 | Proceeds utilized towards designing services related to plant and equipment | No Comments | |
| Subtotal | | | 1,421.95 | 462.47 | 110.11 | 572.58 | 849.37 | - | - | |
| 5 | Expenses in relation to the Fresh Issue | | 157.69 | 131.55 | 5.70 | 137.25 | 20.44 | Proceeds spent towards brokerage fees and other IPO expenses | No Comments | |
| Total | | | 1,579.64 | 594.02 | 115.81 | 709.83 | 869.81 | - | | |

Note 1: During the quarter ended December 31, 2025, the company had transferred Rs 42.56 million from its monitoring account to its various current accounts for utilization towards funding capital expenditure, for operational ease. The transferred proceeds have been fully utilized as at the end of the reported quarter.

Note 2: The Company's vendor arrangements have undergone modifications compared to the disclosure in the prospectus dated September 30, 2024. Notably, the prospectus provides for such flexibility, as it states that "The company have not entered into any definitive agreements with any of these vendors and there can be no assurance that the same vendor would be engaged to eventually supply the equipment at the same cost". As a result, the modification of vendor arrangements is consistent with the disclosure outlined in the prospectus.

^Certificate dated February 04, 2026, issued by M/s PGS & ASSOCIATES chartered Accountants (Firm Registration Number: 122384W), Statutory Auditors of the Company.

#Brief description of objects:

| Object of the Issue | Description of objects as per the offer document filed by the issuer |
|---|--|
| Funding capital expenditure requirements towards Proposed Expansion of the existing manufacturing facility at Unit IV | The Company intends to undertake the expansion work at Khasra Nos. 36, 38/1, 38/2, 38/3 situated at Khapri (Uma), Nagpur- 441 501, Maharashtra admeasuring in aggregate 72,029.84 sq. mtrs. Or thereabouts and where the Company is having its existing manufacturing facilities. As part of the Proposed Expansion, an aggregate area of approx. 15,449.87 sq. mtrs is proposed to be constructed at the said Khasra Nos. 36, 38/1, 38/2, 38/3. The financial investment will primarily be directed towards construction, civil work, and the acquisition of machinery essential for the heavy engineering equipment and flux cored wire businesses. |
| Setting up of a new manufacturing facility at Hingna, Sonegaon District, Nagpur, Maharashtra ("Proposed Facility") | The company intend to setup a new manufacturing facility at Plot No. 33-B/1/1 & 33-B/1/1 Part, MIDC Hingna, Nagpur, Maharashtra (Proposed Facility). This strategic step is driven by their objective of maximizing production efficiency and reaping various economies of scale. At the proposed facility, they plan to manufacture special purpose electrodes and wire strips which are utilized in the production of flux core wire. The setting up of a dedicated slitting line for wire strip manufacturing grants them a significant backward integration advantage. This streamlined process enhances operational efficiency and ensures a seamless supply chain between their nearby facilities for flux cored wire production. |
| Funding working capital requirements of the Company | Their business is working capital intensive and they fund a majority of the working capital requirements in the ordinary course of business from banks and through the internal accruals. The Company requires additional working capital for funding its incremental working capital requirements in the Financial Years ended March 31, 2025. The funding of the incremental working capital requirements of the Company will help in achieving the proposed targets as per the business plan. They intend to utilize Rs 220.00 million from the Net Proceeds to fund working capital requirements of the Company in the Financial Year ended March 31, 2025 |
| General Corporate Purposes | As per offer document GCP can be utilised towards (i) part or full prepayment/repayment of borrowings, (ii) strategic initiatives, investments in subsidiaries of the Company, (iii) business development initiatives (iv) meeting general corporate contingences, and (v) any other purpose as may be approved by the Board or a duly appointed committee from time to time, subject to compliance with the Companies Act and applicable law. The quantum of utilization of funds towards the aforementioned purposes will be determined by the |

| | |
|--|---|
| | Board based on the amount actually available under the head “General Corporate Purposes” and the corporate requirements of the Company. However, the Company will not utilize the funds earmarked for general corporate purposes towards the Objects of the Issue and vice versa. |
|--|---|

iii. Deployment of unutilised proceeds^:

| S. No. | Type of instrument and name of the entity invested in | Amount invested (Rs in million) | Maturity date | Earnings# (Rs in million) | Return on Investment (%) | Market value as at the end of quarter (Rs in million) |
|--------|---|---------------------------------|---------------|---------------------------|--------------------------|---|
| 1 | Fixed Deposit with Kotak Bank (A/c No. 1049877097) | 100.00 | 15-04-2026 | 1.30 | 6.20 | 101.30 |
| 2 | Fixed Deposit with Kotak Bank (A/c No. 1049877103) | 150.00 | 15-04-2026 | 1.95 | 6.20 | 151.95 |
| 3 | Fixed Deposit with Yes Bank (A/c No. 002840600013724) | 40.00 | 21-07-2026 | 1.27 | 6.85 | 41.27 |
| 4 | Fixed Deposit with Yes Bank (A/c No. 002840600013714) | 33.19 | 21-07-2026 | 1.05 | 6.85 | 34.24 |
| 5 | Fixed Deposit with Yes Bank (A/c No. 002840600013734) | 31.50 | 23-07-2026 | 0.99 | 6.85 | 32.49 |
| 6 | Fixed Deposit with Yes Bank (A/c No. 002840600013784) | 34.13 | 27-07-2026 | 1.05 | 6.85 | 35.17 |
| 7 | Fixed Deposit with Yes Bank (A/c No. 002840600013774) | 45.00 | 27-07-2026 | 1.38 | 6.85 | 46.38 |
| 8 | Fixed Deposit with Yes Bank (A/c No. 002840600013764) | 45.00 | 27-07-2026 | 1.38 | 6.85 | 46.38 |
| 9 | Fixed Deposit with Yes Bank (A/c No. 002840300010170) | 52.86 | 15-04-2026 | 0.69 | 6.30 | 53.55 |
| 10 | Fixed Deposit with Yes Bank (A/c No. 002840300010160) | 52.86 | 15-04-2026 | 0.69 | 6.30 | 53.55 |
| 11 | Fixed Deposit with Yes Bank (A/c No. 002840300010150) | 52.86 | 15-04-2026 | 0.69 | 6.30 | 53.55 |
| 12 | Fixed Deposit with Yes Bank (A/c No. 002840300010140) | 52.86 | 15-04-2026 | 0.69 | 6.30 | 53.55 |
| 13 | Fixed Deposit with Yes Bank (A/c No. 002840300010130) | 52.86 | 15-04-2026 | 0.69 | 6.30 | 53.55 |
| 14 | Fixed Deposit with Yes Bank (A/c No. 002840300010120) | 52.86 | 15-04-2026 | 0.69 | 6.30 | 53.55 |

| | | | | | | |
|----|---|----------------|------------|--------------|------|---------------|
| 15 | Fixed Deposit with Yes Bank (A/c No. 002840300010220) | 51.00 | 04-05-2026 | 0.51 | 6.40 | 51.51 |
| 16 | Fixed Deposit with Yes Bank (A/c No. 002840300010210) | 56.36 | 04-05-2026 | 0.56 | 6.40 | 56.93 |
| 17 | Balance in Monitoring account of the Company | 13.69 | - | - | - | 13.69 |
| 18 | Balance in Public issue account of the Company | 17.38 | - | - | - | 17.38 |
| | Total | 934.41* | | 15.58 | - | 949.99 |

*Out of Rs 934.41 million, Rs 64.60 million pertains to interest earned on Fixed deposits.

#Monitoring the deployment of Interest Income earned from unutilised proceeds does not form part of the scope of Monitoring Agency report.

^Based on Management undertaking and Certificate dated February 04, 2026, issued by M/S PGS & ASSOCIATES chartered Accountants (Firm Registration Number: 122384W), Statutory Auditors of the Company.

iv. Delay in implementation of the object(s)^:

| Object(s) | Completion Date | | Delay (no. of days/ months) | Comments of the Board of Directors | |
|----------------|---------------------------|--------|-----------------------------|------------------------------------|---------------------------|
| | As per the Offer Document | Actual | | Reason of delay | Proposed course of action |
| Not Applicable | | | | | |

^Based on Management undertaking and Certificate dated February 04, 2026, issued by M/S PGS & ASSOCIATES chartered Accountants (Firm Registration Number: 122384W), Statutory Auditors of the Company.

5) Details of utilization of proceeds stated as General Corporate Purpose amount in the offer document^:

| S. No. | Item heads | Amount (Rs in million) | Remarks |
|--------|----------------------------------|------------------------|--|
| 1 | Business development initiatives | 2.29 | Proceeds utilized towards payment to vendor for designing services related to plant and equipment. |
| | Total | 2.29 | <i>The Board of Directors of the Company vide resolution dated February 06, 2026, has approved the quantum of utilization of GCP towards mentioned item heads in line with the disclosure provided in the offer document dated September 30, 2024.</i> |

^Based on Management Undertaking and Certificate dated February 04, 2026, issued by M/S PGS & ASSOCIATES chartered Accountants (Firm Registration Number: 122384W), Statutory Auditors of the Company.

Disclaimers:

- a) *This Report is prepared by Crisil Ratings Limited (hereinafter referred to as "Monitoring Agency"/"MA"/"CRL"). The MA has taken utmost care to ensure accuracy and objectivity while developing this Report based on the information provided by the Issuer and information obtained from sources believed by it to be accurate and reliable. The views and opinions expressed herein do not constitute the opinion of MA to deal in any security of the Issuer in any manner whatsoever.*
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